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## **MEDIA RELEASE**

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7 August 2008

### **Leading Power Generator Acquires Strategic Stake in Blue Energy**

- **Stanwell Corporation Limited (Stanwell) has purchased 87.28m shares (19.6%) in Blue Energy Limited (Blue Energy) from CVC Limited (CVC) for 40 cents per share**
- **Blue Energy views Stanwell as a key long term commercial partner**
- **An Alliance Agreement for the development of gas reserves to supply Stanwell gas for a proposed gas fired power project has been executed**
- **The Alliance Agreement provides the commercial framework for the initial supply of up to 8.5PJ per annum, with provision to expand beyond the initial 8.5PJ per annum**
- **The parties have identified areas of mutual interest within Blue Energy's current acreage to explore further generation and potential carbon sequestration projects**
- **Blue Energy's funding requirement is limited to initial reserve certification with Stanwell to fund production and development activities**
- **The composition of the board of Blue Energy Limited will change to reflect the transfer of CVC's stake to Stanwell.**

**Blue Energy Limited (ASX: BUL)** is pleased to announce that Stanwell has acquired a strategic stake of 19.6% in Blue Energy previously held by CVC.

Bill Williams, Blue Energy Chief Executive Officer, said "CVC was a foundation investor and key to the growth of Blue Energy. Blue Energy thanks CVC for their support and guidance over the term of their investment." With the transfer of the CVC stake, CVC's nominated directors, Mr Sandy Beard and Mr Bill Highland have resigned from the board of Blue Energy.

"Blue Energy views Stanwell as a key long term commercial partner and to this extent has executed an Alliance Agreement with Stanwell which will see Blue Energy provide up to 8.5PJ per annum of coal seam gas to Stanwell for a proposed gas fired power project. This represents 213PJ of gas over the 25 year term of the agreement. This agreement demonstrates Stanwell's belief in Blue Energy's acreage and gas potential as well as the technical and commercial capability to deliver Coal Seam Gas projects" Mr Williams said.

Under the Alliance Agreement, Blue Energy's investment will be limited to continuing with its current activities of proving of reserves, thus reducing the requirement for Blue Energy capital, with Stanwell funding field and infrastructure development. Blue Energy receives a leveraged return through the utilisation of its expertise in gasfield planning and operations and receives a fee where performance betters production cost benchmarks. Blue Energy will also share equally with Stanwell any electricity price upside beyond an agreed benchmark.

Bill Williams noted that "This transaction provides a number of significant benefits to Blue Energy and its shareholders. It facilitates the development of reserves with funding from a strategic partner while still giving Blue Energy exposure to any upside in terms of production cost savings or revenue gains. Mr Williams pointed out that while the Stanwell

Power transaction was significant in terms of its absolute size, it relates to only two of Blue Energy's tenements from its 100% owned extensive exploration portfolio. This transaction will underpin further exploration efforts in all our tenements" Mr Williams said.

In addition Blue Energy and Stanwell have identified other geographical areas of mutual interest within Blue Energy's large exploration acreage on which the parties have agreed to work cooperatively with the view of developing future gas generation or carbon sequestration projects.

Blue retains 100% interest in the tenements and intends to continue to explore and prove additional reserves.

Stanwell's Chief Executive Officer, Kim Wood said "the Gas Development Alliance Agreement confirmed that Stanwell is securing the necessary inputs to develop gas-fired generation in Queensland.

As a Queensland Government Owned Corporation we are dedicated to ensuring sustainable and suitable generation capacity is delivered for Queensland.

We are pleased to join Blue Energy in this venture and welcome the opportunity to work with a private sector partner to deliver the right outcomes for both parties and the right outcomes for Queensland."

Stanwell's investment in Blue Energy together with the Alliance Agreement ensures an alignment of interests for both parties. The diversification of our generating portfolio to include gas-fired generation is an important step in ensuring Stanwell is positioned for emissions trading, as well as to make a valuable contribution to the Queensland Government's Gas scheme.

"Stanwell has now commenced its steps into securing gas for its future power generation requirements, and will continue down that path with Blue Energy and other Queensland gas market participants in coming years," Mr Wood said.

### **About Blue Energy**

Blue Energy is a diversified publicly-listed Australian energy company that undertakes the appraisal and development of coal bed methane (CBM), natural gas and conventional oil resources within eastern Australia.

The Company's acreage consists of seven tenements across five productive basins in South Australia and Queensland totalling approximately 33,000sq kms.

### **About Stanwell**

Stanwell is a Queensland Government Owned Corporation, trading more than 30% of Queensland's electricity requirements through an energy portfolio comprising coal-fired generation and hydro electric facilities across Queensland.

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